MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BSM3614 – STRATEGY

(All Sections/Groups)

24 FEBRUARY 2017
9:00AM – 12:00PM
(3 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 5 questions only.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer **ALL FIVE (5)** questions.

QUESTION 1

a) *Successful strategy implementation depends on the cooperation among all in an organisation.* Demonstrate your view of the above statement.

(11 marks)

b) Microsoft's mission statement hypothetically reads as:

Microsoft is committed to providing the best in the world to our customers. We are able to accomplish this vision by hiring only the most skilled employees and providing them with cutting edge technology which results in great products and services for our customers and great returns for our shareholders. Our philosophy is to connect the world through technology while offering our products at fair prices for all.

Identify and explain all the **NINE (9)** components of a mission statement of the above mission statement.

(9 marks)

(Total: 20 marks)

QUESTION 2

a) The industrial organisation model/theory has emphasized on the importance of external environment. Explain the external environment audit and point out how it is related to industrial organisation model/theory.

(6 marks)

b) The table below is the internal assessment of Company XYZ. Using the information, construct an IFE matrix and propose recommendations and **TWO (2)** strategies for the company to plan for its future growth.

No	Strengths	Weight	Rating
1	Strong brand name	0.15	4
2	Corporate Culture	0.10	4
3	High quality management team	0.07	3
4	Customer Support Services	0.10	4
5	Effective post sales services	0.10	3
6	Developed and upgraded technology: Software and Hardware	0.05	3
7	High shipping Quality	0.08	4

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No	Weaknesses	Weight	Rating
1	Gradual decrease in profit.	0.10	1
2	Risk associated with unrelated diversification	0.10	2
3	Certain products that are offered have high shipping costs.	0.05	1
4	Company offering free shipping might affect future financial outcome.	0.05	2
5	Lack of website with Custom languages	0.05	2

(14 marks)

(Total: 20 marks)

QUESTION 3

Daibochi forms joint venture to extend regional footprint to Myanmar ASE

Daibochi Plastic And Packaging Industry Berhad is involved in manufacturing and marketing of flexible packaging materials. The Company operates through two segments: Packaging and Property development. The Packaging segment is engaged in manufacturing and marketing of flexible packaging materials. The Property development segment is engaged in the development of land into residential and commercial building properties. It provides packaging solutions for various applications, such as food, beverage, fast-moving consumer goods (FMCG), pharmaceutical and industrial uses. It offers a range of packaging for various products, such as confectionaries, biscuits, dairy, shampoo, detergent, soft drink, coffee/tea, anti-static, sanitary, cereals and frozen food. The Company, through its subsidiaries, is engaged in investment holding, and importing and marketing of packaging materials. Its subsidiaries include Daibochi Land Sdn. Bhd., Daibochi Australia Pty. Ltd. and Daibochi New Zealand Ltd.

In November 2016 leading flexible packaging manufacturer Daibochi Plastic and Packaging Industry Berhad has set its sights on Myanmar as its first overseas production facility, paving the way for Daibochi's regional expansion to tap into the burgeoning consumer packaging market in Southeast Asia.

Daibochi, through its wholly-owned subsidiary Daibochi Flexibles Sdn Bhd, entered into a Memorandum of Agreement (MOA) with flexible packaging manufacturer Myanmar Smart Pack Industrial Company Limited (MSP) to set up a joint venture company, namely Daibochi Packaging (Myanmar) Co. Ltd. (DPM), to formalize the collaboration.

At the signing ceremony today, Daibochi Managing Director Thomas Lim underscored the Group's optimism of DPM's growth prospects in Myanmar, noting the country's developing flexible packaging industry amidst a population of more than 50 million. Mr. Thomas Lim, Managing Director, Daibochi Plastic and Packaging Industry Berhad said: "While Daibochi has established a formidable track record in supplying high quality flexible packaging to leading consumer brands across the Asia Pacific region, we would continue to strive for sustainable growth through penetrating new markets. We believe

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that Myanmar is poised to witness a high growth trajectory, propelled by the increasing economic development and anticipated influx of global brands of fast moving consumer goods and food and beverage as the country opens up.The significantly lower manufacturing costs in Myanmar also enable us to enhance our competitive advantage in the export market. Through our collaboration with MSP, we stand to be among the first movers in the industry. We are set to make substantial investments to grow DPM into a major consumer packaging player not only in Myanmar but also among ASEAN countries."

Adopted from:
http://www.reuters.com/finance/stocks/companyProfile?symbol=DPPM.KL
http://content.investor.net.my/daibochi-forms-joint-venture-to-extend-regional-footprint-to-myanmar-press-release.html

a) Based on the case study, explain any **THREE (3)** reasons for Daibochi's expansion to overseas market.

(9 marks)

b) Evaluate Daiboichi's joint venture strategy and propose **TWO (2)** ways for Daibochi to ensure its success and eliminate problems in the future.

(6 marks)

c) Assess the consumer packaging industry and point out the **TWO (2)** reasons for Daibochi to invest in Myanmar and as well as choose Myanmar Smart Pack Industrial Company Limited (MSP) as its partner.

(5 marks)

(Total: 20 marks)

QUESTION 4

Provided is a redacted internal/external analysis for Under Armour in the performance apparel industry.

Internal Analysis		**External Analysis**	
Financial Position (FP)		**Stability Position (SP)**	
Return on assets	6	Rate of inflation	-3
Debt/equity	6	Technological changes	-5
Net income	5	Governmental regulations	-2
Revenue	5	Competitive pressure	-7
Net worth	4	Barriers to entry into market	-5

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Competitive Position (CP)		Industry Position (IP)	
Market share	-5	Growth potential	5
Product quality	-2	Financial stability	4
Customer loyalty	-2	Ease of entry into market	2
Technological know-how	-2	Substitute products	2
Control over suppliers and distributors	-5	Profit potential	3

a) Explain the Strategic Position and Action Evaluation (SPACE) Matrix.

(5 marks)

b) Calculate the necessary averages to plot the SPACE graph. (*Marks will be allocated for workings.*)

(10 marks)

c) Provide recommendations for Under Armour's future based on its SPACE findings.

(5 marks)

(Total: 20 marks)

QUESTION 5

Zara is a Spanish clothes and accessories brand, it is the flagship brand of the Inditex group. Few clothing brands keep up with the latest fashion, are of high quality and yet, affordable. It is probably the amalgamation of all these qualities that made Zara, the Spanish clothing brand become the go-to fashion brand for all.It is no surprise that Zara, which started off as a small store in Spain is now the world's largest retailer and its founder, Amancio Ortega, the 4th richest man in the world.

It all began when Ortega established a dress-making factory, Inditex, in the year 1963.Ten years later, he started off a small store that was named as Zorba in La Coruna, Spain with a budget of a meagre 30 Euros. He then changed the name as Zara with no particular intention. And that's how the world's favourite fashion brand of today was born. Zara slowly expanded its empire from the town in Spain to the rest of the country and then later to Portugal. By the 1990's the store had expanded into the United States, France and most of the Europe. Today, Zara has close to 6500 stores across 88 countries around the world.

Zara's business is on fire. Inditex, the fast fashion retailer's parent company based in Spain, recently said profits in the first quarter jumped by a whopping 28%. Sales were up by an impressive 14%. Zara's mysterious founder, Amancio Ortega, is now the world's second-richest man — surpassing even Warren Buffet.

The retailer, which sells trendy men and women's clothing, is also opening hundreds of new stores, most notably in Taiwan, Hong Kong, and Macau. The brand is also expanding

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in the US. Fast fashion brands like Zara are seeing sales explode, while other specialty retailers like Abercrombie & Fitch, J. Crew, and Urban Outfitters struggle to get customers in stores.

A report by Goldman Sachs perfectly sums up why fast fashion retailers are challenging traditional ones. "Unlike fast fashion retailers which have buying teams sourcing current trending fashion from third-party vendors, traditional specialty retailers have design teams creating product they believe is going to be trending 12-months out," the researchers write. The risk of trying to predict fashion trends a year in advance is weighing on the success of retailers like Gap, Abercrombie & Fitch, Ann Taylor, American Eagle, and others, according to Goldman Sachs.

If these retailers have a "fashion miss," it means markdowns, which hurts profits. Zara's unconventional business model eliminates this risk. The company's strategy involves stocking very little and updating collections often. Instead of other brands that only update once a season, Zara restocks with new designs twice a week, reports Suzy Hansen at The New York Times.

That strategy works two ways, according to Hansen. First, it encourages customers to come back to the store often. It also means that if the shopper wants to buy something, he or she feels that they have to buy it in order to guarantee it won't sell out.

Adopted from:
https://successstory.com/companies/zara
http://www.businessinsider.my/zaras-retail-strategy-is-winning-2015-6/

a) Based on the above case, provide **THREE (3)** ways how ZARA has managed to achieve success.

(10 marks)

b) Discuss how ZARA could evaluate its business using balance scorecard.

(10 marks)

(Total: 20 marks)

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